

Message Text

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17

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 IO-10 NEA-10 AID-05 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

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TO SECSTATE WASHDC 3390

INFO USMISSION OECD PARIS

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AMEMBASSY BONN

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E.O. 11652 N/A

TAGS: EGEN JA

SUBJECT: ECONOMIC CONSIDERATION IN PRIMIN'S POLICY SPEECH

REF: TOKYO 12992

BEGIN UNCLAS.

SUMMARY. PM MIKI GAVE MAJOR EMPHASIS TO ECONOMIC MATTERS
IN HIS ADMINISTRATIVE POLICY SPEECH SEPTEMBER 16 (REPORTED
REFTEL). END SUMMARY.

1. MIKI DEVOTED FIRST THIRD OF HIS SPEECH TO DOMESTIC
ECONOMY, NOTING THAT JAPAN, LIKE OTHER COUNTRIES, FINDS
ITSELF IN RECESSION BROUGHT ON BY MEASURES INSTITUTED

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TO COMBAT INFLATION, WHICH IN TURN WAS FUELED BY OIL
CRISIS. HE CITED PRIME NEED TO QUOTE LIFT SAGGING
ECONOMY WHILE ACHIEVING PRICE STABILITY. HE
NOTED INDUSTRIAL PRODUCTION HAS BEEN INCREASING BUT

PRIVATE CONSUMPTION AND BUSINESS FIXED INVESTMENT STAGNANT, WHILE EXPORTS, CORPORATE PROFITS AND EMPLOYMENT ARE IN DECLINE. NOTING THAT GOJ'S INFLATION-CONTROL GOAL (KEEPING 12-MONTH INCREASE IN CONSUMER PRICE INDEX UNDER TEN PERCENT) MAY BE REACHED BEFORE TARGET DATE OF MARCH 1976, HE DECLARED TIME IS NOW RIPE FOR QTE DRASTIC POLICY MEASURES UNQTE.

2. FOURTH RECOVERY PACKAGE IS TO SURPASS PREVIOUS THREE MIKI SAID, AND WILL TOTAL SOME TWO BILLION YEN, 1.5 BILLION IN PUBLIC SECTOR INVESTMENT AND 500 MILLION IN NEW FINANCIAL ASSISTANCE TO SMALL BUSINESS. COUPLED WITH SOME EASING OF CREDIT AVAILABILITY AND FURTHER LOWERING OF INTEREST RATES, THE PACKAGE IS EXPECTED TO GENERATE AN ESTIMATED THREE TRILLION YEN (APPROX DOLLARS 10.1 BILLION) OF ADDITIONAL DEMAND, WHICH HE DECLARED SUFFICIENT TO PUT COUNTRY ON STABLE RECOVERY PATH.

3. MIKI CITED AS SECOND NEED TO SHIFT ECONOMY'S EMPHASIS FROM HIGH GROWTH TO SUSTAINED PATH OF SLOWER SOUND AND STABLE GROWTH AND STRESSED THAT STIMULATION MEASURES ARE NOT REPT NOT GEARED TO QUOTE RECREATING OLD DREAM UNQUOTE OF RAPID EXPANSION. HE NAMED OTHER ECONOMIC PRIORITIES AS: (THIRD) PURSUIT OF GREATER SOCIAL JUSTICE AND WELFARE DURING TIME OF ECONOMIC TRANSITION OF INTERNATIONAL ECONOMIC INTERDEPENDENCE; AND (FIFTH) FINANCING GOVERNMENT DEFICIT ARISING OUT OF TAX REVENUE SHORTFALL RESULTING FROM RECESSION.

4. NOTING THAT POLITICAL-ECONOMIC AND DOMESTIC-INTERNATIONAL DISTINCTIONS ARE BECOMING BLURRED, MIKI SAID BUSINESS RECOVERY IN JAPAN WILL BENEFIT ECONOMIES OF DEVELOPING COUNTRIES, ESPECIALLY IN SOUTHEAST ASIA, AND IN TURN, JAPAN'S COOPERATION IN THEIR ECONOMIC DEVELOPMENT WILL BENEFIT JAPAN'S ECONOMY.

5. ON THE OTHER HAND, MIKI DIRECTED STRONG APPEAL LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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TO OPEC TO POSTPONE DECISION ON OIL PRICE INCREASES UNTIL AFTER RESULTS OF PRODUCER-CONSUMER CONFERENCE ARE OBTAINED OR AT LEAST UNTIL RECOVERY OF WORLD ECONOMY FROM PRESENT RECESSION CAN REASONABLY BE ANTICIPATED. MIKI NOTED THAT ENDLESS PRICE SPIRAL OF INDUSTRIAL PRODUCTS AND CRUDE OIL WOULD NOT BE HELPFUL TO RECOVERY. AN OIL PRICE RISE NOW WOULD CAUSE SERIOUS PROBLEMS FOR JAPAN, HE SAID, AND WOULD PUT NON-OIL PRODUCING LDC'S IN QUOTE MOST SERIOUS SITUATION UNQUOTE. END UNCLAS. BEGIN LOU

6. EMBASSY COMMENT: ANNOUNCEMENT OF RECOVERY PACKAGE

IN MIKI SPEECH PROVIDES TOP-LEVEL SIGNAL OF CHANGE
IN GOJ EMPHASIS FROM INFLATION CONTROL TO STIMULATING
ECONOMIC RECOVERY, ALTHOUGH WE WOULD NOT SHARE
CHARACTERERZATION OF ANNOUNCED PROGRAM AS QTE DRASITIC
UNQTE. OFFICIAL ESTIMATES AT BEGINNING OF 1975 WERE
THAT REAL GNP IN FISCAL YEAR ENDING MARCH 31, 1976
WOULD TOP PREVIOUS BY 4.3 PCT; PRESENT PROGRAM IS
AIMED AT PRODUCING A 2.2 PERCENT INCREASE. PRINCIPAL
DIFFERENCES OF PRESENT PROGRAM FROM PREVIOUS THREE RECOVERY
PACKAGES LIES IN FAT THAT CURRENT PROGRAM PROPOSES
NEW PUBLIC EXPENDITURES RATHER THAN MEMRELY BRINIGN
FORWARD SPENDING ALREADY PLANNED FOR LATER IN YEAR. MIKI
DID NOT SPECIFY TIMING, HOWEVERN, AND IMPACT OF PROGAM
CANNOT BE ESTIMATED UNTIL SPECIFIC BUDGET PROVISIONS
APPROVED IN DIET.
HODGSON

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